

Updated  
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## NEW REVENUE SCENARIOS BRIEFING PAPER

Prepared for the  
December 2004 Transportation Commission Meeting

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### PURPOSE

At the November 2004 Transportation Commission meeting, the Commission discussed four scenarios for additional transportation funding and the use of those funds. Commissioners directed staff to develop additional information for their December 2004 meeting. The purpose of this item is to present this new information to the Commission so the Commission is able to determine the appropriate funding and expenditure options to recommend to the 2005 Legislature.

### ACTION/OUTCOME

We anticipate the Commission will reach agreement on potential revenue and expenditure options to submit to the Legislature in January 2005.

### BACKGROUND

At the November Commission meeting, WSDOT staff provided a summary of potential transportation revenue sources to the Commission. The Commission also received a summary of implementation considerations on many of the revenue sources. For instance, the Commission was reminded that there is no definitive answer on whether the 18<sup>th</sup> Amendment to the Washington Constitution applies to a sales tax on gas. Ultimately, the permitted uses for a sales tax on gas would depend on the applicable statutory language, the ultimate implementation of the tax and any legal decisions on the issue.

#### What are Some Possible Sources of Revenues?

		18th Amendment Restricted*	Could be Implemented Immediately	Might Take Some Time (1-3 Years)	Research Technology Advances, & Infrastructure Investment Needed
Currently In Force Statewide	Motor Fuel Excise Tax Increase (Gas Tax)	a	a		
	Vehicle License Fee Increase	a	a		
	Gross Weight Fees on Trucks	a	a		
	Additional Sales Tax on Vehicle Sales		a		
	Additional Car Rental Tax		a		
Currently In Force In Region	Motor Vehicle Excise Tax		a		
Other Ideas	Differential Motor Fuel Excise Tax (Diesel)	a	a		
	Modified Motor Vehicle Excise Tax			a	
	General Sales Tax		a		
	Sales Tax on Gasoline		a		
	Gross Weight Fees on Passenger Vehicles	a	a		
	Weight Distance Tax	a		a	a
	Vehicle Miles Traveled Tax				a
	Tolls		a	a	a
	Other?				

\* 18<sup>th</sup> Amendment Restricted Revenues: Fuel taxes and license fees for motor vehicles are both 18<sup>th</sup> Amendment restricted revenues. These types of revenues can only be used for highway purposes (including ferries).

Non-18<sup>th</sup> Amendment Restricted Revenues: Sales tax, Motor Vehicle Excise Tax, some vehicle fees, and tolls, can be used for other transportation purposes as well as for highways.

Under Initiative 601 (adopted by voters in 1993), fee increases in excess of the fiscal growth factor require a majority vote of the legislature. New taxes or tax increases require a two-thirds majority vote of the legislature. If the legislative action exceeds the state spending limit, voter referral is required. There is uncertainty whether this requirement applies to non-general fund taxes.

Following the presentation, the Commission discussed four funding scenarios developed by staff. The first three scenarios were displayed as low, medium and high options. The scenarios proposed:

- a gas tax increase ranging from 5¢ to 15¢;
- a vehicle license fee increase ranging from \$10 to \$30 annually;
- a general sales tax increase ranging from 0.075% to 0.15%; and
- new bond authority ranging from \$900 million to \$2.6 billion.

In total, the scenarios showed a range of potential new funding over ten years of \$4.6 billion to \$11.7 billion.

A fourth scenario provided \$9.6 billion in funding over ten years and assumed:

- a sales tax on gas at the full state and local sales tax rate of 8.5% applied to the posted price;
- a gross weight fee at 1¢ per pound on passenger cars and larger vehicles currently not paying a weight fee (e.g., motor homes); and
- new bond authority of \$2.6 billion.

For all scenarios, illustrative expenditure plans were displayed showing potential amounts for public transportation, cities and counties, tribes, and WSDOT operating and capital programs.

## **DISCUSSION**

Commissioners made several comments and requests regarding the presented information. To highlight a few:

- indexing the gas tax should be considered for discussion;
- include options for taxing vehicle parts and services;
- the full state sales tax on fuel may be too much and should be applied not to the posted price, but to the price less the current taxes;
- the need for regional funding should be reflected;
- tolling should be part of any future funding proposal and
- show the increase, plus our current law proposal, so we can see the total.

There are three Attachments to this briefing paper that attempt to provide additional information to aide the Commission in crafting a transportation funding proposal to the legislature.

**Attachment 1:** This attachment displays a menu of revenue options as well as increased bonding authorizations. Sources and levels can be mixed and matched. WSDOT staff has assembled a proposal called a “Point of Departure” for the Commission to consider. It is based on a grouping of revenue options from Attachment 1 and is an attempt to reflect several of the comments made at the November Commission meeting. A “richer” level in one source can be joined with a “leaner” level from another source, so long as a desired outcome is achieved.

**Attachment 2:** This attachment displays the “Uses” of funds, much like what was presented in November to the Commission. It is based on the “Point of

Departure” column from Attachment 1. If the Commission recommends a richer or leaner funding package, the uses of funds must be adjusted up or down to match. We recognize that the Commission may choose to offer the legislature a range of options.

**Attachment 3:** This attachment (the green sheet) displays the Commission’s proposed 2005-2007 Budget and Ten-Year Pro Forma as submitted to the governor and the legislature augmented by the “Point of Departure” investment level from Attachment 2. This display is by WSDOT program areas, consistent with the budget proposal with a couple of exceptions.

WSDOT’s budget proposal does not include the total budget outlook for cities, counties and public transportation agencies across the state. However, in WSDOT’s budget there is some funding provided for public transportation and the department does administer significant federal funds for local governments.

The amounts displayed for public transportation in the first column include \$115.6 million in state fund expenditures that were originally included in WSDOT’s budget proposal for Program V (Public Transportation). So as to not double count, this amount is removed from further down in the table under WSDOT’s operating programs. We choose to display the amount proposed in our budget this way so that the Commission could compare the “Current Law” base to the proposed additional state investment for public transportation. The amounts shown in the first column for public transportation do not include funding from local sources or the farebox. Federal funds provided directly to transit agencies are also not included.

The amounts displayed for cities and counties in the first column include \$4.1 billion in direct distributions from the current motor vehicle fuel tax and \$1.8 billion of federal aid administered by WSDOT’s Highways and Local Program Division (both of these funding sources to cities and counties are not appropriated in WSDOT’s budget, but the funds are collected and/or administered by the state). Similar to the display for public transportation, amounts shown for cities and counties do not include funding from local sources.

## **RECOMMENDATION**

WSDOT staff has provided the Commission with a proposal called a “Point of Departure”. WSDOT recommends that the Commission provide staff with sufficient direction so that a proposal similar in scale can be finalized and project lists assembled to be transmitted to the Legislature in January 2005.





For further information, contact: Paula Hammond at 360-705-7027 or Amy Arnis at 360-705-7525.

**Attachment # 1**

**UPDATED  
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**WSDOT Secretary's Office Working Draft for the Transportation Commission  
Sources of Funds Options to Meet Transportation Needs**

*A "Point of Departure" scenario is shown below. The Commission could choose or recommend leaner or richer options that will create various scenarios that the legislature can use in their deliberations. Examples are circled.*

	18th Amendment Restricted
	Not Restricted by 18th Amendment
	Regional Funding
	Federal Funding

**Sources of Funds Options • Ten-Year Estimates**

**Considerations**

**Leaner ? ← ----- Point of Departure -----> Richer ?**

Gas Tax Increase - All gas tax increase scenarios assumed to be implemented July 1 of the given year.
Bond Proceeds - Gas Tax Bonds
Indexing 23¢ of the Gas Tax
Gross Weight Fees (Passenger Cars & Light Trucks)
Gross Weight Fees (Larger Vehicles not currently paying CLF)
Sales Tax on Gas
Aviation Revenue Increase (Aviation Fuel Tax, Registrations, & Fees)
Special Sales Tax on Vehicle Parts and Accessories
Special Sales Tax on Vehicle Services
Tolls
<b>Subtotal - State Funding</b>

Assumed Available federal Funds (STP Flexible)
Regional Funding
<b>Total with Federal and Regional Funding</b>

5¢ Total 2005-5¢	10¢ Total 2005 - 5¢ 2006 - 5¢	15¢ Total 2005 - 5¢ 2006 - 5¢ 2007 - 5¢
\$1,793 m	\$3,587 m	\$4,838 m
\$900 m	\$1,800 m	\$2,600 m
No	No	Yes
0.5¢/lb	1¢/lb	1.5¢/lb
\$986 m	\$1,971 m	\$2,957 m
0.5¢/lb	1¢/lb	1.5¢/lb
\$59 m	\$117 m	\$176 m
1%	2%	3%
\$514 m	\$1,027 m	\$1,541 m
1¢ fuel tax \$5 Reg Fee	2¢ fuel tax \$10 Reg Fee	3¢ fuel tax \$15 Reg Fee
\$3 m	\$6 m	\$10 m
0.5%	1.0%	1.5%
\$263 m	\$526 m	\$789 m
0.5%	1.0%	1.5%
\$102 m	\$205 m	\$307 m
?	?	?
	<b>\$9,238 m</b>	

Probably requires a simple majority vote of the legislature. Could be implemented immediately. In recent surveys, 32% of the Puget Sound participants and 31% of the statewide participants supported this option.

60% vote of the legislature required for new bond authorization.

Probably requires simple majority vote of the legislature. Could be implemented immediately.

Limited to the state's fiscal growth factor unless a simple majority approves a specific increase. Could be implemented immediately. In recent surveys, 42% of the Puget Sound participants and 42% of the statewide participants supported this option.

Limited to the state's fiscal growth factor unless a simple majority approves a specific increase. Could be implemented immediately. In recent surveys, 42% of the Puget Sound participants and 42% of the statewide participants supported this option.

Application of the 18th Amendment is unresolved. Current law may require a 2/3 majority vote of the legislature. Could be implemented immediately.

Fee increase would be limited to the state's fiscal growth factor unless a simple majority approves the increase. Tax increase would require a simple majority vote of the legislature. Both could be implemented immediately.

Current law may require a 2/3 majority vote for a general tax increase. Could be implemented immediately.

Current law may require a 2/3 majority vote for a general tax increase. Could be implemented immediately.

Requires a simple majority vote of the legislature. Details of tolling option will determine implementation time. In recent surveys, 55% of the Puget Sound participants and 47% of the statewide participants supported this option. Also a source of regional funding under current law.

**Other Ideas**

Vehicle License Fee Increase, Including Light Trucks	\$10	\$678 m	\$20	\$1,356 m	\$30	\$2,034 m
General Sales Tax Increase	0.075%	\$964 m	0.100%	\$1,267 m	0.150%	\$1,901 m

**WSDOT Secretary's Office Working Draft for the Transportation Commission  
Spending Illustrations to Meet Transportation Needs**

**Attachment # 2**

**UPDATED  
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- 18th Amendment Restricted
- Not Restricted by 18th Amendment
- Federal Funds
- Regional Funds

Proposed Uses of Funds		Point of Departure Illustrative Scenario Ten-Year Estimate
<b>Local Agency Distributions and Programs (Public Transit, WSDOT Highways &amp; Local Programs &amp; WSDOT Public Transportation, CRAB, TIB, &amp; FMSIB)</b>		
<b>Public Transportation</b>		
% of All Sales Tax Increases	46%	1
<b>Transit</b>		
Operating: Special Needs & Rural Mobility	\$320 m	2
Corridor Transit Efficiencies	\$30 m	3
Capital: Preservation	\$150 m	4
<b>Subtotal</b>	<b>\$500 m</b>	5
<b>Efficiencies:</b>		
TDM-CTR, Trip Planner, ACCT	\$55 m	6
Park & Ride Lots	\$110 m	7
<b>Subtotal</b>	<b>\$165 m</b>	8
<b>Other - Profits/Non-Profits</b>		
Operating: Special Needs & Rural Mobility	\$125 m	9
<b>Subtotal</b>	<b>\$125 m</b>	10
<b>Total Public Transportation</b>	<b>\$790 m</b>	11
<b>Cities and Counties</b>		
% of Total Gas Tax Increase (Including Indexing)	32%	12
Cities and Counties - Direct Distribution	\$580 m	13
Urban Corridor Program	\$150 m	14
Improving Safety (County Rural Rds., SRs, Ped. Safety)	\$230 m	15
Local Freight	\$150 m	16
Small City Preservation	\$40 m	17
<b>Total Cities and Counties</b>	<b>\$1,150 m</b>	18
<b>Total Local Agency</b>	<b>\$1,940 m</b>	19
<b>Tribes</b>		
% of Total Gas Tax Increase (Including Indexing)	Less than 1%	20
<b>Transportation Planning</b>	<b>\$11 m</b>	21
<b>WSDOT Programs</b>		
<b>WSDOT Operating Programs (except grant programs to transit, cities and counties)</b>		
Maintenance	\$780 m	22
Aviation (Education, Planning, State Airports, Grants)	\$6 m	23
Improving System Efficiencies (Traffic Ops, IRT)	\$155 m	24
<b>Subtotal WSDOT Operating Programs</b>	<b>\$941 m</b>	25
<b>WSDOT Capital Programs (except grant programs to transit, cities and counties)</b>		
Fix it First (Preservation Investment, Roads, AWW, SR520)	\$3,190 m	26
Fix it First (Preservation Investment, Roads, AWW, SR520)	\$110 m	27
Additional Preservation Investment for Ferries	\$300 m	28
Improving Highway Security	\$20 m	29
Improving System Efficiencies (HOT Lanes)	\$14 m	30
Park & Ride Lots	\$110 m	31
Demand Capacity Imbalance	\$1,099 m	32
Improving Efficiencies or Preservation or ?	\$856 m	33
Additional Investments in Passenger and Freight Rail	?	34
Other Tolls	?	35
<b>Subtotal WSDOT Capital Programs</b>	<b>\$5,701 m</b>	36
<b>Total WSDOT Programs (excluding grant programs to transit, cities and counties)</b>	<b>\$6,642 m</b>	37
% of Total Gas Tax Increase (Including Indexing)	50%	38
% of Gross Weight Fee Increase	100%	39
% of All Sales Tax Increases	85%	40
% of Gas Tax Bond Proceeds	100%	41
<b>Borrowing Costs</b>		
% of Total Gas Tax Increase (Including Indexing)	18%	42
<b>Subtotal Uses of State Generated Funds</b>	<b>\$9,238 m</b>	44
<b>Unallocated Federal Funds</b>		
% of Assumed Available Federal Funds (STP Flexible)	100%	45
<b>Puget Sound Regional Funding (Could include tolls)</b>	<b>\$6,000 m</b>	47
% of Regional Funding	100%	48
<b>Total Uses of all Funding Sources</b>	<b>\$15,538 m</b>	49

**Uses of Funds by Program and Jurisdiction**  
**2005-2007 Transportation Commission Budget and Ten-Year Pro Forma Proposal Augmented by New Funding Sources**

**Attachment # 3**

**UPDATED  
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\$294 million included in WSDOT's 2005-07 Budget Proposal & Ten-Year Pro Forma has been removed from WSDOT's Program V (Public Transportation) and are shown here under the Public Transportation heading in addition to \$22.5m in CTR tax credits. (CTR tax credits were not included in WSDOT's 2005-07 Budget Proposal & Ten-Year Pro Forma but are considered in fund balance calculations.) Additionally, amounts displayed do not include funding from local sources, fare box collections, or funding received directly from the federal government.

Funding for Cities and Counties' does not include funding from local taxes or funding received directly from the federal government.

Funding for WSDOT Operating and Capital programs includes all sources of funding: i.e. State, Bond, Federal and Local Funds.

Point of Departure Scenario millions of dollars	Ten-Year Totals			
	2005 - 2007 Budget Proposal & Ten- Year Pro Forma	Point of Departure Scenario	New Total	
<b>Local Agency Distributions and Programs</b> (Public Transit, WSDOT Highways & Local Programs & WSDOT Public Transportation, CRAB, TIB, & FMSIB)				
<b>Public Transportation</b>				
<b>For Transit:</b>				
<i>Operating: Special Needs &amp; Rural Mobility</i>	138	320	458	1
<i>Corridor Transit Efficiencies</i>	-	30	30	2
<i>Capital: Preservation</i>	-	150	150	3
Subtotal	138	500	638	4
<b>Efficiencies:</b>				
<i>TDM, Trip Planner, ACCT, CTR Tax Credits</i>	116	55	171	5
<i>Park &amp; Ride Lots</i>	-	110	110	6
Subtotal	116	165	281	7
<b>Other - Profits/ Non-Profits</b>				
<i>Operating: Special Needs &amp; Rural Mobility</i>	62	125	187	8
<b>Total Public Transportation</b>	316	790	1,106	9
<b>Cities and Counties</b>				
Cities and Counties - Direct Distribution	2,533	580	3,113	10
Urban Corridors Program	771	150	921	11
Improving Safety (County Rural Rds., SRs, Ped. Safety)	-	230	230	12
Local Freight	771	150	921	13
Small City Preservation	-	40	40	14
Federal Aid to Cities and Counties	1,820	-	1,820	15
<b>Total Cities and Counties</b>	5,895	1,150	7,045	16
<b>Total Local Agencies</b>	6,212	1,940	8,152	17
<b>Tribes</b>				
Transportation Planning	-	11	11	18
<b>Total Tribes</b>	-	11	11	19
<b>WSDOT</b>				
<b>WSDOT Operating Programs</b>				
<b>Highways</b>				
Highway Maintenance and Operations • M	1,545	345	1,890	20
Highway Traffic Operations • Q	223	155	378	21
Tacoma Narrows Toll Maintenance and Operations	151	-	151	22
Highways Subtotal	1,919	500	2,419	23
<b>Ferries Maintenance &amp; Operations • X</b>	1,801	75	1,876	24
<b>Public Transportation and Rail</b>				
Public Transportation • V	5	-	5	25
Rail • Y	201	-	201	26
Public Transportation and Rail Subtotal	207	-	207	27
<b>Aviation • F</b>	38	6	43	28
<b>Transportation Economic Partnerships • K</b>	5	-	5	29
<b>Local Programs • Z</b>	50	-	50	30
<b>Support Services and Other Charges</b>				
Facilities Maintenance & Operations • D	173	-	173	31
Program Delivery Management & Support • H	253	-	253	32
Transportation Management & Support • S	141	-	141	33
Office of Information Technology • C	351	110	461	34
Transportation Planning, Data, & Research • T	205	-	205	35
Charges from Other Agencies • U	240	-	240	36
Support Services Subtotal	1,364	110	1,474	37
<b>Placeholder for Possible Compensation Changes</b> (All programs)	101	250	351	38
<b>Subtotal Operating Uses of Funds</b>	5,485	941	6,425	39
<b>WSDOT Capital Programs</b>				
<b>Highway Construction</b>				
<i>Hwy. Improvements • I (Pre-existing Funds)</i>	1,094	-	1,094	40
<i>Highway Improvements • I (2003 Funding Package)</i>	2,649	-	2,649	41
<i>Tacoma Narrows Bridge • I</i>	279	-	279	42
<b>Total Highway Improvements • I</b>	4,021	1,413	5,435	43
<i>Hwy. Preservation • P (Pre-existing Funds)</i>	2,607	-	2,607	44
<i>Hwy. Preservation Hood Canal • P (Pre-existing Funds)</i>	176	-	176	45
<i>Highway Preservation • P (2003 Funding Package)</i>	185	-	185	46
<b>Total Highway Preservation • P</b>	2,967	3,858	6,825	47
<b>Total Highway Construction</b>	6,989	5,271	12,260	48
<b>Other Highway</b>				
Capital Facilities • D	52	20	72	49
Traffic Operations • Q	138	-	138	50
<b>Total Other Highways</b>	190	20	210	51
<b>Total Highways</b>	7,178	5,291	12,470	52
<b>Park and Ride Lots - Additional Investment</b>	-	110	110	53
<b>Ferries Construction</b>				
<i>Ferry Construction • W (Pre-existing Funds)</i>	1,207	-	1,207	54
<i>Ferry Construction • W (2003 Funding Package)</i>	284	-	284	55
<b>Total Ferry Construction • W</b>	1,492	300	1,792	56
<b>Rail • Y</b>	202	-	202	57
<b>Local Programs • Z</b>	26	-	26	58
<b>Subtotal Capital Uses of Funds</b>	8,898	5,701	14,599	59
<b>Total WSDOT Uses of Funds</b>	14,383	6,642	21,025	60
<b>Borrowing Costs</b>	3,230	646	3,876	61
<b>Unallocated Federal Funds</b>	-	300	300	62
<b>Puget Sound Regional Funds</b>	-	6,000	6,000	63
<b>Total Uses of Funds</b>	23,825	15,538	39,363	64